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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 06/20/06

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Prime Minister's schedule, June 19

NIHON KEIZAI (Page 2) (Full)
June 20, 2006

10:00

Handed written official appointment to BOJ Policymaking Board member Tadao Noda. Met afterwards Minister in Charge of Declining Birthrate Inoguchi.

11:00

Met with High-tech Industry Institute Chairman Junichi Nishizawa, followed by Deputy Foreign Minister Nishida.

13:31

Met with Chief Cabinet Secretary Abe, LDP Secretary General Takebe, and Diet Affairs Committee Chairman Hosoda in Diet building. Visited various factions in the Lower House to thank them at the end of the regular Diet session.

14:00

Arrived at Kantei.

15:00

Held press conference. Met with Nishida and North American Affairs Bureau chief Kawai.

16:14

Met with Land, Infrastructure, and Transport Minister Kitagawa.

17:00

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Met with Assistant Deputy Chief Cabinet Secretary Saka and Cabinet Office Director General Hayashi. Met later with Internal Affairs and Communications Minister Takenaka.

18:15

Returned to his official residence.

4) Prime Minister: Calls for self-restraint but warns of stern action if North Korea launches Taepodong-2 missile

SANKEI (Page 1) (Excerpts)
June 20, 2006

Prime Minister Junichiro Koizumi indicated that Japan would take such severe actions as economic sanctions, if North Korea launches a long-range Taepodong-2 missile, saying: "If a missile is launched, Japan will consult with the United States and other major powers and take stern action."

Speaking at the press conference held at the Prime Minister's Official Residence yesterday afternoon to mark the adjournment of the Diet session, the prime minister urged Pyongyang to exert self-restraint, saying: "Japan, in close cooperation with the US and South Korea, has been calling on North Korea to refrain from launching a missile in a rational, restrained manner." Koizumi, though, declined to comment on what specific measures Japan is planning to take if Pyongyang test-fires a ballistic missile.

5) US ambassador to Japan: If a missile fired, the US will refer the matter to UNSC

YOMIURI (Page 2) (Full)
June 20, 2006

US Ambassador to Japan Thomas Schieffer yesterday met with Japanese reporters, and when asked about America's response if North Korea were to test-fire a Taepodong-2 long range ballistic missile, he indicated that the US government would seek to convene the United Nations Security Council (UNSC) and refer the matter to the UNSC. He also emphasized that the US would consider additional economic sanctions against North Korea, noting: "We are discussing appropriate steps with our allies, including Japan, but I think we must consider sanctions."

Speaking of the possibility of holding a meeting between the United States and North Korea to discuss the missile issue, Schieffer indicated that the first thing for that country to do is to return to the six party talks, saying: "If it returned to the six-party talks, North Korea would be able to discuss a variety of issues with the US."

6) Government vigilant against North Korea's moves, especially on an anniversary

Tatsuya Fukumoto

"Today is said to be the 42nd anniversary of the beginning of North Korean leader Kim Jong Il's political activities, and when that country launched a missile in 1998, one of the anniversaries

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was nearing," a high-level Japanese government official said at a press conference yesterday morning.

Pyongyang launched a Taepodong-1 missile on Aug. 31, 1998, nine days before the 50th anniversary of the national foundation. At the time, the Japanese government remained on alert against a second launch even after the first one. Referring to North Korea's moves this time, some in the government had speculated that if it were to launch a missile, the most likely date would be June 19.

The Defense Agency (JDA) stays alert and continues monitoring the situation by mobilizing Maritime Self-Defense Force's (MSDF) Aegis ships and the EP-3 information-gathering aircraft for electronic warfare, and also by using the Air Self-Defense Force's (ASDF) FPS-XX ground-based radar and other means. The US Forces Japan (USFJ), as well, continued monitoring via its RC0135S Cobra Ball.

The Japanese government is considering restricting remittances and trade under the Foreign Exchange Law as well as port entries under the Law for Banning Certain Vessels' Port Entries in working together with the United States. The Foreign Exchange Law has provisions on economic sanctions, under which Japan can regulate remittances to and trade with North Korea. In order to invoke this law and the Law for Banning Certain Vessels' Port Entries, which prohibits ships that stopped at North Korean ports from entering Japanese ports, the government needs to obtain approval at a cabinet meeting. A Japanese government official explained: "Japan has already started discussions on such matters as the priority order of sanctions and the duration."

7) Japan, US may expedite missile defense cooperation

SANKEI (Page 3) (Abridged)
June 20, 2006

Japan and the United States are facilitating bilateral missile defense cooperation against the backdrop of North Korea's preparations to fire a Taepodong long-range ballistic missile, sources said yesterday. US Forces Japan (USFJ) will deploy Patriot Advanced Capability-3 (PAC-3) surface-to-air missiles in Japan within the year to intercept ballistic missiles, and the two countries will go ahead with role sharing as well as intelligence sharing.

The Japanese and US governments held a consultative meeting of officials for foreign and defense affairs in Hawaii on June 15 over USFJ realignment. In the meeting, the two governments looked into the possibility of setting up a team to prioritize and implement specific plans described in their final report released in May on USFJ realignment.

In the meantime, North Korea was almost ready to launch a missile after having set it on a launch pad at a missile test site. So the Japanese and US governments exchanged views there about North Korea's readiness to launch a Taepodong-2 missile, according to sources. Japanese and US officials there reaffirmed that North Korea was threatening to launch a ballistic missile. Based on that view, they also agreed to expedite missile defense cooperation between Japan and the United States in the process of realigning US forces in Japan.

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In concrete terms, USFJ will deploy PAC-3 missiles within the year, while the final report did not specify when to deploy them. The Air Self-Defense Force is also going to deploy PAC-3 missiles by next March, and the US military's deployment of PAC-3 intercept missiles will start before that.

8) Iraq: Withdrawal order expected today for GSDF

YOMIURI (Top play) (Abridged)
June 20, 2006

The government will decide today to withdraw Ground Self-Defense Force troops currently deployed in the southern Iraqi city of Samawah. That is because Britain will transfer its security powers in July to the Iraqi government in the province of Al Muthanna, which includes Samawah. Defense Agency Director General Nukaga will order the GSDF today to withdraw the Samawah-based troops. In response, the GSDF troops will begin to pull out of Iraq. They will move to Kuwait in late July and will return home.

Prime Minister Koizumi and New Komeito President Kanzaki will meet this morning, and the ruling parties will hold a liaison conference to approve the government's decision to recall the GSDF troops. The government will then hold a Security Council meeting to make a formal decision on the GSDF's withdrawal. Koizumi is expected to meet the press today.

"When the time has come, I will make an appropriate judgment and want the GSDF members return home safely with understanding obtained from the United States, Britain, Australia, and the Iraqi government," Koizumi told a press conference yesterday. He added, "I will consider what Japan can do as a responsible member of the international community to help stabilize Iraq, and I'd like to continue to do so (even after the GSDF's pullout)." With this, the premier underscored his intention to continue engaging the Air Self-Defense Force in airlift missions between Kuwait and Iraq. The government will extend ASDF airlifts to Baghdad and other locations in response to a request from the United Nations.

9) North Korea, Iran's nuclear issue likely to be on agenda of upcoming Japan-US summit; Both leaders to reaffirm close cooperation

YOMIURI (Page 2) (Full)
June 20, 2006

The major agenda items for the upcoming Japan-US summit meeting between Prime Minister Koizumi and President Bush in Washington on June 29 were set yesterday. During their talks, the two leaders will reaffirm their closer cooperation to resolve the North Korea nuclear and missile development and abduction issues. In addition, they will exchange views on Iran's nuclear program, reconstruction assistance to Iraq, and the East Asian situation, centering on China's economic and military rise. A joint statement reaffirming the significance of the Japan-US alliance in a global context is will be released after the summit.

In the meeting, both leaders will confirm the need to urge North Korea, which has shown signs of preparing to test-fire a Taepodong-2 missile, to end this provocative act and quickly return to the six-party talks.

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On the Iranian nuclear issue, the two leaders will urge Iran to accept a comprehensive proposal offered by the permanent members of the United Nations Security Council (UNSC) plus Germany. On Iraq, the prime minister will declare his determination to continue reconstruction assistance even after the pullout of Ground Self-Defense Force (GSDF) troops from Iraq.

10) Main points in prime minister's remarks in press conference

YOMIURI (Page 4) (Full)

June 20, 2006

The following is a gist of remarks made by Prime Minister Koizumi in a press conference yesterday.

(Tasks that lie ahead)

In drawing up budgetary request guidelines for next fiscal year's budget, emphasis should be placed on both economic revitalization and fiscal reconstruction, and this task is extremely important. Next week, I will be leaving for the United States and Canada. St. Petersburg Summit is scheduled for July. In September, the Liberal Democratic Party's presidential election will be held. Many problems lie ahead, and I have a lot of things to do.

(LDP presidential election)

The next premier must push ahead with both revitalizing the economy and reconstructing the nation's financial system. My successor should demonstrate leadership without fearing criticism, but it is also necessary to leave some duties to trustworthy party (LDP) members. Great breadth as a human and passion to doggedly resolve problems are required of my successor.

In the LDP presidential election, since the prime minister will be elected, there might be scenes in which candidates engage in a power struggle. There might be cases in which relations become strained. When all candidates who obtain support from more than 20 LDP members declare their candidacy, I will have to clarify for whom I will vote. Until then, I will make no comment.

(North Korea's missile issue)

Japan, in cooperation with the US and South Korea, has been calling on North Korea to refrain from launching a missile in a rational, restrained manner. I am still hoping North Korea won't launch one. But if Pyongyang test-fires a missile, Japan will have to consult with the US government and others and take stern actions. I had better not comment for now on what response Japan will take.

(Plan for GSDF withdrawal from Iraq)

When the right time comes, Japan will make a proper decision and pull Ground Self-Defense Force (GSDF) troops out of Iraq upon obtaining approval from various countries concerned (the US, Britain and Australia) and the Iraqi government.

Japan, as a responsible member of the international community, will continuously think what it can do for the stability of Iraq and provide assistance (even after the troops are withdrawn).

11) Poll: 37% against Yasukuni visit; 17% for upgrading Defense Agency to ministry, 21% against

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NIOHN KEIZAI (Page 2) (Full)
June 20, 2006

In the latest poll, 37% of respondents answered "no" when asked if they thought Prime Minister Junichiro Koizumi should pay homage at Yasukuni Shrine this year, with 32% saying he should visit the shrine but not on Aug. 15, the day World War II ended, and 17% insisting that he should visit the shrine on Aug. 15.

Respondents were also asked if they would support a government-introduced bill to upgrade the Defense Agency to the status of a ministry. In response to this question, 17% answered "yes," with 21% saying "no." Those who "can't say which" accounted for 51%.

12) LDP's Yamasaki: If Prime Minister Koizumi visits Yasukuni Shrine on Aug. 15 will affect the LDP presidential race

MAINICHI (Page 5) (Full)
June 20, 2006

Taku Yamasaki, a former vice president of the Liberal Democratic Party (LDP), delivered a speech at a forum sponsored by the

Mainichi Shimbun held yesterday in Fukuoka City. Referring to the upcoming LDP presidential election, he indicated his view that should Prime Minister Junichiro Koizumi visit Yasukuni Shrine, it would affect the results of the LDP presidential race. He stated: "This year, Aug. 15 is particularly significant. After that, I think the presidential race will move ahead speedily." He stressed that he will watch former Chief Cabinet Secretary Yasuo Fukuda's move, saying, "Waiting for the (announcement of his candidacy) until (Aug. 15) will benefit national interests." Regarding his possible candidacy, Yamasaki stated: "I will not clarify my intentions before the mid-August Obon holiday break."

Yamasaki criticized Prime Minister Koizumi's visits to Yasukuni Shrine, noting:

"Official visits are unconstitutional. Private visits (by the prime minister) are no different. China and South Korea will protest strongly soon after the prime minister visits the shrine. As a result, it will be impossible to hold summits with the leaders of the two countries."

Yamasaki apparently sought to check Chief Cabinet Secretary Shinzo Abe, a possible post-Koizumi contender, who supports Koizumi's visits to the Shinto shrine.

13) 2006 LDP presidential election: Koizumi to announce his support for particular candidate in September in consideration of Mori; begins paving way for Abe

MAINICHI (Page 2) (Abridged slightly)
June 20, 2006

Prime Minister Junichiro Koizumi indicated in a press conference yesterday that he would clarify his support for an LDP presidential candidate timed with the official kickoff of the election campaign, apparently in an effort to pave the way for greater support for Chief Cabinet Secretary Shinzo Abe, his favorite. Support for Abe is growing in recent public opinion surveys on presidential candidates, while that for former Chief

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Cabinet Secretary Yasuo Fukuda is leveling off. Koizumi's strategy is to hand over the baton to his successor while keeping momentum through such means as his diplomatic engagements, including his upcoming visit to the United States, and overhauling the nation's revenues and expenditures as a package.

"He must deal with matters flexibly while using both hard and soft approaches. He must also be prepared to face backlashes from within the party in efforts to convince people."

Koizumi discussed some requirements for his successor as if to offer words of encouragement to Abe.

Earlier, on June 15, Koizumi met with former Prime Minister Yoshiro Mori to discuss the LDP presidential race. In the session, Mori warned Koizumi not to designate anyone as his successor. Koizumi expressed his intention to wait for doing so until early September when the presidential election would be officially announced, while sticking to his policy of making it clear where he stands on the race before hand. In 1987, Prime Minister Yasuhiro Nakasone designated Secretary General Noboru Takeshita as his successor. Koizumi does not envisage a similar scenario. However, if Koizumi speaks of his favorable candidate, that would be a de facto designation of his successor.

Koizumi may not announce his support for any particular candidate until the official kickoff of campaigning out of consideration for Mori. But if his clout is extremely low at that point, Koizumi's designation of his successor would lose its magical power. In the Mainichi Shimbun's June 17-18 opinion poll, Abe's support rate increased 4 points from the previous month to 42%, while Fukuda's rate dropped 1 point to 19%. Fukuda's support rate is leveling off.

A former LDP cabinet minister explained Koizumi's comment this

way: "Because there is already a clear trend in favor of Mr. Abe, the prime minister is trying to back him in a modest manner."

But whether or not the prime minister visits Yasukuni Shrine on the August 15 end-of-the-war anniversary is still a delicate matter closely associated with the presidential race. Koizumi is likely to make a final decision while keeping in mind how his shrine visit would affect Abe.

14) Poll: Abe leads Fukuda in post-Koizumi race

YOMIURI (Page 1) (Abridged)
June 20, 2006

In a recent face-to-face nationwide public opinion survey conducted by the Yomiuri Shimbun on June 17-18, respondents were asked who they thought would be the most appropriate person to become Prime Minister Koizumi's successor, and they were asked to pick one out of five lawmakers in the ruling Liberal Democratic Party. In this popularity rating, Chief Cabinet Secretary Abe topped all others at 44%. Yasuo Fukuda, one of Abe's predecessors in the CCS post, ranked second at 19%. The results of previous polls and the one taken this time cannot be simply compared because the number of post-Koizumi candidates was narrowed down this time from the last survey taken in May. However, Fukuda, who closed in on Abe in last month's survey, went down in the latest survey, with Abe rising. The margin has now widened. Fukuda has

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yet to clarify whether he will run in the LDP presidential election.

Abe ranked top for the fifth month in a row. Among other candidates, Foreign Minister Aso stood at 4%, with Finance Minister Tanigaki at 2%. Among LDP supporters, Abe was at 63% and Fukuda at 19%.

In the survey, respondents were also asked if they were interested in the LDP race. In response to this question, a total of 72% answered "yes." Respondents were further asked to pick one or more issues for the LDP presidential election. In response, the most common answer was a reform of pension, healthcare, and other social security systems at 53%, followed by economic and employment measures at 47%.

The approval rating for the Koizumi cabinet was 52.0%, down 2.4percentage points from the last survey.

15) Kyodo poll: 45% favor Abe as successor to Prime Minister Koizumi; 24% support Fukuda

TOKYO SHIMBUN (Page 2) (Full)
June 20, 2006

According to a poll Kyodo News Service conducted on June 17-18, Chief Cabinet Secretary Shinzo Abe was the most suitable lawmaker to succeed Prime Minister Junichiro Koizumi, obtaining 45.6% support, up from 40.1% in the May survey. While 24.3%, down from the 31.4% of the previous poll, favored former Chief Cabinet Secretary Yasuo Fukuda. The gap between Abe and Fukuda widened to

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21.3%. Abe essentially expressed on May 24 his intention to run in the Liberal Democratic Party (LDP) presidential race, while Fukuda has not clarified his position. Fukuda's reluctance to explicitly declare his intention to run in the election is believed to have eroded support for him.

Foreign Minister Taro Aso secured 4.3% (4.5% in the previous poll) and Finance Minister Sadakazu Tanigaki obtained 2.6% (2.7% in the May poll). Senior Vice Justice Minister Taro Kono came fourth with 2.9% (1.6% in the previous survey), passing Tanigaki.

Those who favored Abe were asked the reasons for their choice, and 23.0% cited his diplomatic ability to improve relations with China and South Korea, with 19.1% hailing his leadership

abilities. Of those who favored Fukuda, 42.5% hoped for his diplomatic skills to repair the strained ties with China and South Korea. The respondents expected him to reform Asia diplomacy. Of the respondents supporting Aso, the majority expressed hopes for his diplomatic capabilities. About half the respondents who favored Tanigaki hoped for financial reconstruction. Of those who supported Kono, many expected him to reform the social security system.

16) Support for resumption of commercial whaling; IWC plenary session adopts declaration by margin of one vote

SANKEI (Page 2) (Full)
June 20, 2006

The International Whaling Commission (IWC) at its plenary session held in St. Christopher Nevis in the Caribbean Sea adopted a

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declaration promoted by Japan seeking the normalization of the functions of the commission by a 33-32 vote. The declaration calls for the withdrawal of the temporary suspension of commercial whaling adopted in 1982. It is a step forward to the resumption of commercial whaling.

The declaration was jointly proposed by 30 pro-whaling countries, including Japan. This is the first time that the number of pro-whaling countries topped that of anti-whaling countries. However, since the resumption of commercial whaling requires support from more than three quarters of members at a plenary session, the declaration has no binding power. Even so, it was the first major achievement for pro-whaling countries.

However, anti-whaling countries, such as Britain and New Zealand, were against the adoption of the declaration. The skirmish between pro-whaling countries and anti-whaling countries will likely further heat up.

Touching on the adoption of the declaration that supports the resumption of commercial, Agriculture, Forestry and Fisheries Vice Minister Mamoru Ishihara yesterday noted: "In view of the future of the IWC, I am very pleased that the declaration was adopted." He then added: "We will make steady efforts next year as well to ultimately garner support from three quarters of members."

17) Chugai Pharmaceutical uses serum derived from US cattle; Mistake occurred in process of switching to material from other countries; Voluntary recall begins

SANKEI (Page 31) (Lead para.)
June 20, 2006

It was learned that Chugai Pharmaceutical Co., a major drug maker, discovered that it used serum derived from US cattle embryos, whose use is prohibited in Japan, as raw materials for two medicines it manufactured and sold. It has already started recalling about 900,000 products that had been shipped to 11,000 hospitals throughout the nation. In order to avoid the risk of BSE contamination, the use of serum that was derived from embryos of US cattle has been banned, in principle, since 2004. Chugai Pharmaceutical explained, "It was a simple mistake. The risk of damage to health is extremely low." Judging that the case is a violation of the Pharmaceutical Law, the Ministry of Health, Labor, and Welfare intends to check whether there are similar cases involving other pharmaceutical companies.

18) Deregulatory requests from Nippon Keidanren; Compliance rate drops to 47% in fiscal 2005

ASAHI (Page 4) (Full)
June 20, 2006

Nippon Keidanren (Japan Business Federation) yesterday revealed that the compliance rate of deregulatory requests it submitted to the government dropped to 47% in fiscal 2005, down 2 points from

49% posted in fiscal 2004 and 13 points from 60% recorded in fiscal 2003.

The business organization noted that the reason for the drop in such a ratio is that bureaucrats have begun taking the initiative

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of regulatory reform since fiscal 2004.

The Japan Business Federation submits 200 to 300 requests a year to the government. Since the government's Regulatory Reform and Privatization Promotion Headquarters, chaired by Prime Minister Koizumi, replaced the private sector-led Comprehensive Regulatory Reform Council in fiscal 2004 as a point of contact for the submission of requests, Nippon Keidanren's deregulatory requests have been handled in a routine manner, as the Industrial Affairs Headquarters put it.

SCHIEFFER